

FERC launches review of electric power market operations

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The Federal Energy Regulatory Commission began reviewing the operation of competitive wholesale power markets today in the first of a series of hearings.

Electric industry groups largely fell into the usual formations, outlining the challenges they face and the improvements they want in the way regional markets are operated. Utility and power generator executives whose companies operate in organized markets generally said they find the markets satisfactory but outlined several actions they said could make them more efficient.

Two former FERC commissioners who were instrumental in formulating early competition rules and who now represent companies that are enthusiastic backers of wholesale competition, defended the organized markets against consumer groups representing large industrial customers and residential consumers who assailed the organized markets for focusing more on process at the expense of consumers. Those groups, Exelon Corp. Vice President Betsy Moler said, "have not offered solutions. They simply whine."

And representatives of utilities that are not in organized markets, such as Southern Co. and several public power utilities, said they did not need or want to participate in regional markets run by independent system operators.

Though some groups say they want the industry to return to its regulated past, FERC Chairman Joe Kelliher took that off the table by noting that the Energy Policy Act of 2005 essentially made wholesale power competition the national policy. Yet the five FERC commissioners questioned the industry representatives closely as they provided often-conflicting data regarding where consumer prices are higher and prescribed often-technical proposals that would fix problems in organized markets.

Roy Thilly of Wisconsin Public Power Inc., a group of public power utilities that operate both in the organized Midwest ISO market and in bilateral markets in the region, said he finds the MISO market better situated for matters such as line repair and having one operator that can see the "big picture" of the market.

But there are significant problems, he said. Among them: No long-term contracts, difficulty in getting participants to work on avoiding transmission line congestion, and problems in the "day two" markets that reflect the more sophisticated market operations of the regional markets in portions of the country.

Thilly also said ISO governance can be a problem when the "independence" of an ISO board runs into problems of accountability to those who are in the market. Having a "hybrid" board that reflects more of the ISO membership, he said, "would make a big difference."